



Snapshots™

STARTING OUT: PERSONAL INSURANCE

AS A YOUNG PERSON STARTING OUT IN LIFE, PARTICULARLY IF YOU'RE SINGLE, PERSONAL INSURANCE, SUCH AS LIFE INSURANCE, IS PROBABLY SOMETHING YOU HAVEN'T THOUGHT ABOUT TOO DEEPLY.

Not only is the prospect of death something that most people don't consider until years down the road, but why buy insurance when you don't have any children to take care of? However, there are many types of insurance and depending on your circumstances and objectives in life, you should give some consideration to the sort of coverage that might be appropriate for you. In addition to life insurance, you may want to consider supplemental health insurance coverage, or even disability coverage should something happen to you that would prevent you from working. And, if you own a car, car insurance is a must. [The Insurance Bureau of Canada](#) can provide an overview of the types of insurance to consider.

Life Insurance

Life insurance is designed to pay out a specified benefit when the insured person dies. People tend to begin considering life insurance when they enter into a relationship with another person, particularly when there is the possibility of children. Life insurance gives the insured person the assurance that if anything happens to them, there will be enough money to take care of their spouse or partner, and children.

Not surprisingly, the younger you are when you take out insurance, the lower the cost will be since, from the insurance company's point of view, they will probably not have to make a benefit payment until many years in the future. Therefore, if you take out insurance now, you will be paying lower premiums than if you wait—the flip side is that you will be paying premiums for a longer period of time. As well, it's important to consider that while you may be healthy now, should your health decline in the future it may be difficult to obtain coverage later.

While you may choose to name a family member or close friend as the beneficiary now, you can always change the beneficiary in the future. An insurance policy can also have its own value. Many types of 'permanent' insurance policies have Cash Surrender Value (CSV) or other investment features; in the future, if you decide you do not need the life insurance coverage, the policy can be surrendered and the value received. Alternatively, insurance policies with CSV can be used as collateral for loans.

Term insurance policies—those that offer coverage for only a set period of time—are cheaper than permanent policies, where the policy lasts as long as you are alive. These may be a more affordable option when you are starting out. I can certainly help or refer you to the best qualified person who can explain your options in detail.

Group Insurance Coverage

Many companies offer group insurance for their employees as a benefit. Along with life insurance, there is often coverage for disability and health insurance (see next page). Depending on the plan, the employer might pay all or part of the premiums. Although group plans are a 'one size fits all' arrangement and not tailored to specific needs, they will be a simple and convenient approach to coverage. Even for a single person, the health coverage (dental, pharmacare, etc.) can be very beneficial. You should take a good look at the details of any coverage that your company is providing.

Disability Insurance

Disability insurance is designed to replace income that is lost due to sickness or injury. Many people don't realize that the chances of becoming disabled, if only for a short while, are far higher than the risk of death if you're under 60 years old. You should determine whether your employer offers disability coverage as part of a group plan and become familiar with the details, especially with respect to the definition of disability, the amount of coverage, and the terms of the coverage. If your employer does not offer disability coverage through their group plan, or if you are self-employed, you should speak with an insurance professional to find out about personal coverage.

Health Insurance

As you are probably aware, Canadians are covered for their basic medical needs through their provincial or territorial health insurance plans. However, these plans do not cover all medically related costs. Without other sources of insurance coverage, you can find yourself having to pay for certain medical expenses from your own pocket, such as dental bills, drugs, and medical costs incurred while outside of Canada—and the costs can be substantial. As mentioned above, employers often offer group coverage for many of these costs, so it is important to become familiar with the details of the plans. If coverage is not provided through a group plan, you can obtain personal coverage through private insurance companies. Speak with an insurance professional to discuss your needs.

Auto Insurance

If you own a car, legally you must have valid auto insurance. Auto insurance rates are set by the insurance company underwriters who determine the risk you are likely to pose for filing a claim. For example, statistically, young males tend to have poorer driving records and more insurance claims than other demographic groups and as such will pay much higher auto insurance premiums. Depending on your age, sex and driving record, insurance can cost thousands of dollars a year and should be carefully considered when estimating monthly automobile costs. It is certainly recommended to shop around, but this [calculator](#) provided by the Canadian Automobile Association (CAA) should give you an indication of all the ongoing costs of owning a vehicle.

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